GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:49
ANSWERED ON:21.11.2002
INCREASE IN PRICES OF PETROLEUM PRODUCTS
RAMJI LAL SUMAN;V. VETRISELVAN

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) Whether the prices of petroleum products have been hiked at the regular interval of 15 to 20 days during the last six months;

(b) if so, whether this trend of price hike has put heavy burden on general public;

(c) whether at times, prices have been hiked even after the statement of the Government not to increase the prices; and

(d) if so, the justification behind increasing the prices of petroleum products every fortnight?

Answer

MINISTER OF PETROLEUM & NATURAL GAS (SHRI RAM NAIK)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE LOK SABHA STARRED QUESTION NO.49 T
ANSWERED ON 21ST NOVEMBER 2002 REGARDING INCREASE IN PRICES OF PETROLEUM PRODUCTS.

(a) to (d): With the dismantling of Administered Pricing Mechanism (APM) in the petroleum sector effective 1st April 2002, the prices of all petroleum products, except for PDS Kerosene and domestic LPG, have been decontrolled. In a free-market scenario, the fluctuations in the international oil market are bound to get reflected in the domestic consumer prices of petroleum products.

As per the existing arrangement between the oil marketing companies (OMCs) and domestic refineries, the former pay to the latter import parity prices for diesel and petrol, revised on fortnightly basis depending upon the price trend in the international oil market. OMCs, in turn, need to revise the domestic consumer prices of these products accordingly. The prices of Indian basket of crudes had increased from US$ 23.30/barrel to US$ 27.48/barrel during March 02 to September 02.

Post APM, with a view to facilitate a smooth transition from the APM period to a free market scenario, OMCs did not increase the domestic consumer prices of diesel and petrol during the months of April and May 2002 despite an increase in the international prices of these products. Further, post May 2002, after taking into account the international prices of diesel and petrol, OMCs reduced the domestic consumer prices of these products twice, did not change the prices of four occasions and increased the price of six times.

In a free market scenario, the question of Government issuing a statement about not increasing the prices of petroleum products does not arise.